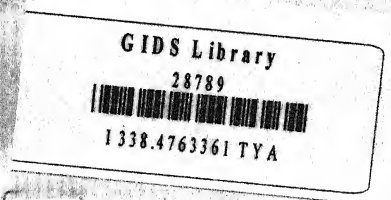


# CRISIS IN SUGAR INDUSTRY : SUGAR POLICY NEEDS A CHANGE

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## **CRISIS IN SUGAR INDUSTRY: SUGAR POLICY NEEDS A CHANGE**

Dr.R.C. Tyagi

Sugar policy is an instrument by which government control all the activities of the sugar industry, considering sugar as an essential item of the mass consumption. Government fixes cane price for the sugar mills, to protect the interest of cane growers and control the prices of sugar to protect the interest of consumers. But the crisis of this industry elongated more during last few decades.

This article argues that the sugar policy should cover not only the interest of cane growers and sugar consumers, it should also cover the interest of sugar industry, keeping in mind that sugar industry is a national asset, which exploit cash-crop and added value in it. So sugar policy should be framed in such a manner, that it should cover the interest of cane growers, sugar consumers and sugar mills in a balanced way. Every opportunity to increase the production and productivity within the country should be given higher priority in the sugar policy and import of sugar should be discouraged.

Government sugar policies are a tangle of contradictions in our country. Like other farm intervention policies, sugar policies have squandered farmers as well as industry. The government intervention in this sector has been pervading both in the demand and supply side. The Central Government fixes the support price of sugarcane every year. The state government usually refix this support price by making further enhancement on the plea of providing remunerative price of sugarcane growers. The sugar mills are forced to purchase sugarcane on this price. Because of



this high price of sugarcane fixed by the government, provides comparative advantage to farmers in sugarcane cultivation. As a result, the production of sugarcane has increased enormously by acreage shift. On the other hand, government imposes restrictions on demand side, i.e. mills by way of licensing controls of new mills, crushing capacity expansion, technology use and imposing levy on the sugar produced.

The combined impact of supply and demand, interventions result into more losses than gains and plunge the industry into crisis. On account of state policies, the farmers were bound to burn sugarcane in their fields since last few years. Crores of rupees remained unpaid to the farmers. This is a big national loss and industry is surrounding with the problems. In recent past India produced about 220 million tonnes of sugarcane, while country had crushing capacity of 110 million tonnes of sugarcane through sugar mills. About 26.4 million tonnes of sugarcane was used as seed and chewing, etc. 83.6 million tonnes of sugarcane was used in making khandsari and gur, which produced 5.02 million tonnes of sugar (6 per cent recovery in terms of sugar). For each 100 tonnes of sugarcane used for khandsari and gur, country suffers a loss of 3.5 tonnes of sugar. This 3.5 tonnes of sugar per 100 tonnes of sugarcane is actually burnt along with bagasses to convert sugarcane into sugar or for other purposes.



Considering the importance of the consumer price index, government take steps to protect the urban consumers, who tend to link their wage demand to the price index. In fact, government's dual pricing policy doesn't fully serve its motive. Consumers are not getting full quota of sugar on the monthly basis from the fair price shops as they get a part of their requirement. They have to buy sugar from the open market to meet their full requirement of sugar. Open sugar market is that in which sugar mills try to sell free market sugar on a very high price to compensate their profits of levy sugar. In the dual pricing policy, neither consumers are benefited in real sense nor sugar mills are interested to sell their product (a part) at a zero per cent profit.

Indian government is going on importing sugar, from a neighbouring country even with a great controversy, with an argument to satisfy internal demand as well as to regulate the sugar price. Other reason, clearly, is political. In 1998, Indian sugar industry was badly suffering from the faulty import sugar policy. In this year central government put the sugar under Open General Licence (OGL) at 5 per cent custom duty, while in other countries the custom duty on imported sugar ranges from 36 to 300 per cent. So India has emerged as a lucrative market. At the same time it was very hard for the internal sugar industry to compete with this low cost imported sugar and were in great crisis. In the month of Jan, 1999, the custom duty increased 20 per cent

from 5 per cent, on the recommendation of Food Ministry. Again, after two months in the Union Budget 1999-2000, Finance Ministry increased the rate of custom duty on sugar upto 25 per cent. It is said that this rate of custom duty is still not sufficient to protect internal sugar industry from the low cost imported sugar.

So the crisis in the sugar industry prevails mainly due to the poor post harvest processing technology, poor sugar policy, much government intervention and over political interference, etc. All this is more true in the case of Uttar Pradesh, where the state accounts 54 per cent of area, of the total area under sugarcane in the country and about 47 per cent sugarcane produce, of the total sugarcane production of the country. Although, U.P. is producing such a handsome percentage of sugarcane, even then, the share of sugar production is very less. Maximum wastage of the raw material is accounting by this state.

#### OBJECTIVES

In recent years serious imbalances have crept into the production and consumption of sugar in the country, distorting the sugar economy. Demand of sugar is increasing at a higher rate than its production. Government sugar policy is not so encouraging for the sugar mills, to fill the gap between production and consumption. Since country is producing a plenty of sugarcane and has a capacity to



increase it more, then changes are required in the existing sugar policy, with a positive approach, to maximise the processing of the cane through best technology. In this reference, the major objective of this paper is to examine and analyse government sugar policy. Paper also examines and analyses the price policy of sugarcane, the impact of technology restrictions and potential of the sugar industry. Finally it suggests the policy measures to make sugar industry viable and sugarcane cultivation sustainable.

#### METHODOLOGY

The present paper intends to examine the issues framed in the objective, in the context of sugar manufacturing sector. Paper is carried out on the basis of secondary information mainly. In addition, discussions were held with the managing authorities of Dhampur Sugar Mill (Private Sector) and Chandpur Sugar Mill (Government owned) both in District Bijnor, member of the Cane Cooperative Society and officials of the Cane Commissioner's Office, Lucknow. The data available on the sugar industry from published sources have also been utilized.

#### SUGARCANE PRICING POLICY

The Agriculture Prices Commission (APC) was set up in 1965 to advise to the Government on the price policy for agricultural commodities including sugarcane. The



Commission in its earlier reports on policy for sugarcane had observed that the fixation of Statutory Minimum Price (SMP) at a level lower than that recommended by the Commission not only adversely affected the supply of sugarcane but also resulted in escalating demand for sugar. The CACP in its report had advised against the fixation of State Advised Prices (SAP) and had stated that the state government should not increase the level of State Advised Price any further and gradually the system of State Advised Price be done away with. The suggestion of the Commission however has not found favour with the State Governments so far. In many states, the State Advised Price were fixed at levels in conformity with price trends with other competing crops. In this way Central Government fixes the sugarcane price for a sugar season on the advice of CACP. State Government also declare the sugarcane price for the same season which were always higher side, because of the two main factors. One is the price trends with other competing crop and other is obviously political.

Another interesting feature of this industry relating to the cane price (which emerges from the Table 1) is that, most of the time sugar factories pay higher than the State Advised Prices to the cane growers to attract them in the competition with khandsari units, particularly in U.P., where khandsari units are highest in number as compared to other states in the country (See Table 1).

Table 1 : Sugarcane Price Recommended by CACP, Fixed by Central and U.P. Government and Actual Cane Price Paid by the U.P. Sugar Factories

(Rs. per quintal of cane)

Year/ Season	Price Re- commended by CACP	Price Fixed by Central Government		Price Fixed by U.P. Government		Average Price Paid by U.P. Sugar Factories
		Min.	Max.	Min.	Max.	
1976-77	9.50	8.50	10.80	12.25	13.25	12.92
1981-82	15.50	13.00	16.52	20.50	21.50	21.00
1986-87	17.00	17.00	22.00	24.00	25.00	24.50
1991-92	26.00	26.00	32.12	26.00	32.12	46.50
1992-93	27.00	31.00	38.29	31.00	38.66	47.50
1993-94	36.50	34.50	43.84	34.50	43.84	59.50
1994-95	38.50	39.10	48.40	39.10	48.40	68.00
1995-96	42.50	42.50	53.30	42.50	53.30	72.00
1996-97	45.90	45.90	55.02	45.92	72.00	72.00

Source : Cane Commissioner's Office, Lucknow.

The Government announced the statutory minimum price of Rs.24 per qtl. of sugarcane for the year 1991-92, linked to a basic recovery of 8.5 per cent on 7th November, 1990, against CACP recommended price of Rs.25 per qtl. Having regards to the change in various parametres, the CACP recommended an upward revision in the minimum price of sugarcane for the year 1991-92 at Rs.26 per quintal. Subsequent to the recommendation of the CACP, the price of



fertilizers increased steeply owing to de-control of fertilizer prices. Since then the government has announced higher prices for procurement of various agricultural commodities. The mills association had requested the CACP to recommend a price of Rs.30 per quintal for the year 1991-92 to ensure parity with other agricultural commodities. The Government revised the Statutory Minimum Prices (SMP) to Rs.26 per quintal based on the recommendation of the CACP. In the year 1992-93, government had initially announced the SMP at Rs.27 per quintal linked to 8.5 per cent recovery. The mills association again represented to the CACP to revise the SMP to Rs.34 per quintal for ensuring parity with other agricultural crops. It was February 1993, the Government revised the SMP to Rs.31 per quintal linked to 8.5 per cent recovery.<sup>1</sup>

The government announced the statutory minimum prices at Rs.34.50, Rs.39.10, Rs.42.50 and Rs.45.90 per quintal linked to a basic recovery of 8.5 per cent for the years 1993-94, 1994-95, 1995-96 and 1996-97 respectively. With the announcement of the Statutory Minimum Prices (SMP), State Governments simultaneously announced high State Advised Prices (SAP), despite being urged repeatedly to refrain from announcing such cane prices as only the central government had the authority to fix the sugarcane price under the sugar control order 1966. The U.P. Sugar Mills Association accordingly represented this matter to the State Government that it would not be possible to pay such a high



state advised cane prices any more and subsequently filed a writ petition in the Allahabad High Court challenging the fixation of state advised cane prices. The Allahabad High Court by a land mark judgement dated 11 December, 1996, decided that the State Government had no power to fix the state advised prices for the cane under any status and quashed the order dated 15 November 1996, issued by the U.P. State Government fixing the state advised cane price at Rs.72 per quintal for the season 1996-97.<sup>2</sup> Further, the court directed the Central Government to constitute a High Powered Committee to study the various aspects of the sugar industry and make recommendations to thoroughly revise the laws prevailing in India relating to sugar and sugarcane.

Sugarcane production is increasing in a fluctuating manner since 1950-51 to 1996-97 in the country. One of the most important factor, which influences to the farmers towards this cashcrop, is the sugarcane prices announced by the Government. If the prices are favourable to the farmers sugarcane acreage increases and leads to over production. This over production of the sugarcane crop may become a burden to the sugar mills to crush the crop upto the months May and June. This crushing, in hot months, is very uneconomical to the mills. So mills refuse to take such supply and farmers are bound to burn their sugarcane crop to clear their fields for another crops. For the next season farmers take interest in another comparative cash crops.

This result low cane acreage and makes sugarcane supply to the sugar industry in a fluctuating manner.

Sugarcane has a great significance for the sugar industry, as it accounts 70 per cent of the cost of sugar production.<sup>3</sup> Both the conditions of short and surplus supply of sugarcane to the sugar industry do not serve the purpose of the industry properly and leads ultimately to the losses. It is necessary for sugar industry to get sugarcane supply smoothly and regularly. Government should be very careful at the time of price fixation of this crop because price policy impacts directly on the crop as well as industry. There should not be any political interference at the time of fixation of State advised cane price.

#### GOVERNMENT POLICY FOR SUGAR

Sugar industry in India is said to be 'the child of protection'. This is for the obvious reason that before 1931, when it was granted protection, the position of this industry was not satisfactory. The Statutory Control on sugar was first imposed in April 1942, under the Sugar and Sugar Products Control Order, 1943. The Sugar Controller to the Government of India regulated production, distribution and prices of sugar. Since then, this industry is working under the effective control of the government, such as licence for the establishment of the new sugar mill and for the extension of the old mills, minimum statutory prices of



sugarcane and the price fixed by the State Governments, control on sugar production, release for finished product from mills, sale and the price of the sugar. In recent years, controls have come under heavy attack as these are held responsible for the slow growth in the productivity and efficiency of Indian industry.

The Government of India have reviewed the guidelines for licensing of new and expansion of existing sugar factories issues vide Ministry's Press Note No.16(1991) dated November 8, 1991.<sup>4</sup> According to the guidelines, new sugar factories will continue to be licensed for a minimum economic capacity 2500 tonnes cane crushed per day (TCD). There will not be any maximum limit on such capacity. Preference in licensing would be given to the proposals involving large capacity, modern technology and development of integrated complexes producing value added products and co-generation of power. The distance between the proposed new sugar factory and an existing already licensed sugar factory should be not less than 15 kilometres. The basic criteria for grant of licences for new sugar units would be cane availability or the potential for the development of sugarcane or both. Other things being equal, preference in licensing will be given to the proposals from the Grower's Cooperative Societies. However, industrial licence issued to such a cooperative cannot be transferred to any other entity.



The existing guidelines need revision in order to take into account the changes in the business scenario following economic liberalisation, the need for introducing simplified and transparent producers and the technological changes that have been place in sugar industry. A bold step is required in the government sugar policy, just to attract more entrepreneurs to establish new sugar mills in the country. In the same context, sugar industry may be relaxed from licencing, while government is very reluctant in case of licencing for most of the industries in recent years. All applications for expansion of the existing factories mut be cleared automatically.

For the control of the sugar prices in the country, Government is having some tools like - a dual pricing policy, release of sugar from the factory to the market on a regular basis and import sugar policy. Dual pricing in sugar is an instrument for providing a certain quantity (a part of the need) of sugar to urban consumers at an assured 'reasonable' price, through the public distribution system, allowing the mills to sell a portion of their output at a higher price in the free market. However, the free market is not really free, since the quantity of sugar offered is determined by quotas set by Government.<sup>5</sup> As far as Government sugar policy is concerned, 1978-79 was the most interesting year, in which Government reviewed sugar policy and decided to decontrol sugar with effect from August 16, 1978. Simultaneously, the Government also withdrew the well

conceived system of release of sugar, which was never dispensed within the past, even during periods of decontrol. This decontrol policy of sugar was adopted by the Government in view to increase the consumption of sugar in order to balance the sugar economy. The effect of decontrol levy sugar was proved good enough, as production of sugar and the carry over stocks rises up during the period, but the consequence of decontrol of release of sugar from the mills to the market was proved very poor to the sugar mills. There was cut throat competition among the factories and the sugar prices crashed, through out the country, to highly uneconomic levels.

With the continuous decline in prices, economic viability of the industry was seriously impaired and incapacitated its ability to maintain cane payments, wage payments and other obligations. Under such circumstances the industry in all the three sectors, namely, the Joint Stock Sector, the Public Sector and Co-operative Sector considered this matter and decided to enforce a scheme of voluntary control on sugar release with effect from March 1, 1979. This was a novel experiment without a parallel. It was only after this scheme was put into operation that the sugar price gradually tended to look up towards economic levels. However, the voluntary release system did not last long. On June 5, 1979, Government of India decided to regulate monthly release and the voluntary scheme automatically terminated as per provisions in the agreement.

Since 1978-79, Government never fully decontrol the sugar. However, the ratio of levy sugar and free sugar were changed like 65:35 in the year 1979-80, 55:45 in the year 1985-86, 50:50 in 1986-87, 45:55 in 1990-91 and 40:60 in 1992-93. This levy and free sugar ratio, 40:60 is still continuing.

In recent years, sugar situation is not sound in the country. Even with a great controversy India is going on importing sugar, with an argument to satisfy internal demand as well as to regulate the sugar price. As a matter of fact, this imported sugar adversely affecting sugar industry and country's economy. On the one hand, country is loosing foreign currency and sugar industry is facing crisis on the other, because industry has to compete with the low price of imported sugar. Keeping in view, the low price of the imported sugar, sugar industry has checked its production, instead of improving it, to satisfy internal demand. This situation also adversely affecting to the cane growers, because sugar mills started refusing to take sugarcane for further crushing. Resulting, wastage of crop and a huge National loss. Although, India is having almost all the important basic requirements like raw material, labour and land in surplus for the development of this industry and can improve the production of sugar upto the requirement level even then we are importing sugar from countries like Pakistan, Brazil and Thailand. Now the question is why we are importing sugar instead of increasing our own production and productivity? It may be for the reason one or other -



but one of the major reason is Government sugar policy, which needs a positive change.

#### GOVERNMENT POLICY FOR KHANDSARI

Khandsari units are having the great advantage of taxation from Government side, either they are almost free from taxes or are paying very nominal tax as compared to big sugar mills. A nominal excise duty at the rate of 50 paise per quintal was levied on Khandsari with effect from March 1, 1932, but same was withdrawn from July, 1952. Khandsari sugar was thus, free from payment of any excise duty on crystal sugar from Rs.11.06 to Rs.22.15 per quintal on May 6, 1953, the parity in taxation that existed between crystal sugar on the one hand and khandsari on the other was completely lost. This was the beginning of the clash between sugar mills and khandsari units. Khandsari was having a very great advantage for attracting cane from factory areas by paying higher cane prices, specially in the year of cane shortage.

Again after a long interval of time Government realizes to impose some excise duty on khandsari sector. An excise duty at the rate of Rs.5.60 per quintal was levied in the budget for 1959-60, presented by the Union Finance Minister, besides an additional excise duty of Rs.3.31 in replacement of sales tax. This excise duty was not fair for those khandsari units, where not using sulphitation and making

inferior quality of sugar. It was again a descriminating policy of taxation by the Government within the khandsari sector. However, one representation made by the khandsari sector, on April 20, 1965, khandsari sector was divied into two categories : (i) khandsari sugar produced with the aid of sulphitation; and (ii) khandsari sugar produced without the aid of sulphitation. From March 1, 1970, the tariff rate of duty on khandsari sugar was 15 per cent advalorem for basic duty and 7 per cent advalorem for additional duty in replacement of sales tax. The basic effective rate of duty on khandsari was also 15 per cent advalorem while the effective rate of additional excise duty continued to be only 2.5 per cent advalorem. Apart from excise duty, the khandsari in U.P. were required to pay purchase tax on cane purchased by them. In the years 1970-71, 1972-73, 1973-74, 1974-75 and 1979-80 State Government of U.P. had imposed cane cess on cane purchased by khandsari.

Government of India by a notification dated July 29, 1990, issued by the Department of Food imposed certain restrictions on sale and despatch of khandsari sugar. As per the order, every producer of khandsari was required to declare his opening stocks as on July 31, 1988 and also the quantity produced in each month thereafter till September 30, 1988. Further, they were required to sell and dispatch the stocks as on July 31, 1998 together with those produced after July 31 and upto September 30, 1988 latest by October 31, 1988 in the manner that not less than 40 per cent of the

opening stocks as on July 31, 1988, during the month of August 1988 and not less than 40 per cent of the opening stocks as on the September 1, 1988, during the month of September, 1988. A similar notification was issued during 1989-90 and 1990-91 season as well. So far as gur is concerned it is completely exempted from any taxation. In few states it is subject to very nominal rate of sales tax.

The Uttar Pradesh Government announced the new khandsari policy on November 11, 1998. According to this khandsari policy, the binding areas of the sugar mills have been reduced from 20 sq.km. to 15 sq.km. and power crushers could be set up outside the 15 sq.km. areas of sugar mills. Old khandsari units could be extended and renovated. If the owners feel they could even get their units transferred from one village to another.<sup>6</sup> No doubt, all this strengthens and facilitates the khandsari units but the consequences of this discriminating policy among khandsari unit and sugar mills, falls adverse effect on the sugar mills. The gur and khandsari being free from control, because the harder contestants for the cane supply. In the year of surplus cane supply, the position of sugar mills becomes a bit odd, because they are compelled both by Government and farmers to prolong their crushing season, often during the summer heat. With the result that the recovery falls down to the minimum, putting sugar mills into a loss.

The problem of sugar mills is aggravated more during the season of short cane supply. In such season, the



Table 2 : Utilisation of Sugarcane for Different Purposes in India

Years/ Season	Production of Sugar- cane (000 tons)	Sugarcane Used for (000 Tonnes)			Percentage use of Sugarcane		
		Production of White Sugar	Seed,Feed Chewing etc.	Gur and Khandsari	Production of White Sugar	Seed,Feed Chewing etc.	Gur and Khandsari
1976-77	153007	48967	18317	85723	32.0	12.0	56.0
1977-78	176965	67288	21029	88648	38.0	11.9	50.1
1978-79	151655	59715	17957	73983	39.0	11.8	48.8
1979-80	128833	39048	15104	74681	30.3	11.7	58.0
1980-81	154248	51598	18201	84449	33.4	11.8	54.8
1986-87	186090	85184	22242	78664	45.8	12.0	42.3
1991-92	253995	133987	26669	93339	52.8	10.5	36.7
1992-93	228033	103002	27136	97895	45.2	11.9	42.2
1993-94	229659	98348	27559	103752	42.8	12.0	45.2
1994-95	275540	147598	32706	95236	53.6	11.9	34.5
1995-96(P)	282945	174357	33586	75002	61.6	11.9	26.5

P = Provisional

Source : Indian Sugar Year Book (1995-96-97), p.13, ISMA, New Delhi.

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producers of khandasari usually pay higher prices to cane growers and thus cane is diverted to khandsari units from sugar mills. It is interesting to note that whenever the percentage use of sugarcane increased in sugar mills, the percentage use of cane in khandsari and gur decreases and during the year when cane crop was poor and lesser supply to sugar mills, the percentage use of sugar cane increased in khandsari and gur. Such percentage use of sugarcane in Gur and Khandsari units was 48.8 per cent in the year of normal crop season 1978-79 and 39.4 per cent was in sugar mills but it was as high as 58.0 per cent utilisation of cane in Gur and Khandsari units and decreases use of cane in mills to 30.3 per cent in the year low crop season 1979-80 (Table 2). This is because of Government policy which have a complete control on sugar mills but very minimum in case of Gur and Khandsari units.

Another interesting feature relating to the khandsari units is that, despite the fact, the total number of khandsari units showing a declining trend but the total quantum of cane crushed has increased over the years. Between 1975-76 and 1996-97, the number of khandsari units were reduced to less than half, but the total quantity of cane crushed increased more than double and production of khandsari sugar has increased about three times more (Table 3). This is possibly so because despite the problem of khandsari sector, those who have survived are more efficient units. They have increased their crushing capacity by



Table 3 : Data Relating to Khandsari Units of U.P.

Year/ Season	Licensed Units	Working Units	Cane Crushed (Lakh Qtl.)	Khandsari Production (Lakh Qtl)
1975-76	4077	3500	550.20	23.06
1976-77	3450	3136	671.07	27.51
1981-82	2813	2501	901.48	45.25
1986-87	1874	1767	1283.24	66.35
1991-92	1479	1307	1439.44	65.19
1992-93	1296	1181	1225.02	52.87
1993-94	1274	1211	1407.62	57.79
1994-95	1268	1191	1449.65	64.31
1995-96	1212	1082	1287.19	57.21
1996-97	1149	1040	1351.98	60.31

Source : Cane and Sugar Commissioner's Office, Lucknow.

increasing the total daily crushing time and by increasing the size and number of crushers as well as also adopted new technological measures. As a matter of fact, quite a number of them are in such an advanced stage that they can install Vacuum Pan Technology. These units are not getting permission (licence) from the Government to instal VPS technology and are wasting the cane in the form of low recovery of the sugar. This is really a great national loss.



### SUGGESTIONS

In the mixed economy of the country all the three sectors, co-operative, private and public are national assets. Sugar industry is working under all these three sectors. In recent years, crisis in sugar industry has been reached upto the alarming stage. So it is necessary that the Central and State Governments should tackle the alarming situation of the industry, particularly in U.P., where highest number of sugar mills and khandsari units are located. Government should adopt a national and appropriate sugar policy, so as to save it from further deterioration, without any bias or discrimination resulting in greater harmony and coherence amongst all these sectors. A scientific method of fixing the price of cane should be adopted.

Demand of sugar is increasing in the country due to the high rate of population growth, urbanisation, increase in income and other related factors but production is low as compared to demand. In this situation, Government should try to give more thrust on more use of cane crop in the sugar mills for more sugar production. This is much required in U.P., where only 33 per cent of the total produce of sugarcane in the state is under the use of sugar mills. It can be done by the expansion and increase in crushing capacity of existing sugar mills and by issuing licences for new sugar mills. It will check the import of

sugar and country will save the foreign currency. The industry deserves no doubt support to keep itself viable and in good health in view of its great economic significance. Government should permit expansion on planned and phased basis of licence or restriction. This would render the plant economic and capable of speedier implementation by the Government. A long term sugar policy must be furnished by the Government so that it may be attuned to the needs of development of sugarcane and sugar industry in the country with preferential treatment to sick sugar units. It would be very effective particularly for U.P., where the number of sick sugar units are higher.

In the dual pricing policy, neither consumers are benefited in real sense nor sugar mills are interested to sell their product (a part) at a zero per cent profit - as discussed earlier - a dual pricing of the sugar should be dropped from the policy. The entire quota of monthly sugar should come into the open market. This will help to regulate the sugar prices in the open market. Again, our sugar mills are suffering from a faulty import sugar policy in which the rate of custom duty is not sufficient and they are facing a big competition with the low cost imported sugar. In the Union Budget 1999-2000, Finance Ministry increased the rate of custom duty from 20 per cent to 25 per cent on sugar but this rate of duty is not sufficient as it should be at least around 40 per cent.



As far as khandsari units are concerned, they are mostly concentrated in U.P. and most of them already attained the best technological improvements in the Open Pan Sulphitation (OPS) and are knocking for the Vacuum Pan Sulphitation (VPS) technology. In this connection Government should provide licences to these khandsari units to install VPS technology. This will improve the production of sugar and revenue for the Government and will check the wastage of cane - which is a great national loss.

Government should incorporate above suggestions in the new sugar policy and this sugar policy should be made on a long term basis. Government import and export sugar policy should be such that it can protect internal industry and can encourage export. Efforts must be made to bridge the gap between production and consumption also to control sugar price vis-a-vis to see a genuine profit of sugar industry and cane growers and try to avoid the situation as the consumers are free to pay higher prices while the sugar industry is reeling under heavy losses besides, the farmers are not paid for sugar crops for months and sometimes for years.

#### CONCLUSION

This paper concludes that, sugar industry has a great potential to outdo from it's crisis, which is mainly because of lack of a sound sugar policy. Thus the current all India



sugar scenario is anything but bright. To improve the sugar situation in the country it is necessary for the government to frame such a long term sugar policy, which invites the entrepreneurs to install new sugar mills, particularly in the state like U.P., where only 33 per cent of the total produce of its sugarcane is used in the sugar mills. For the old sugar mills Government should permit to increase their crushing capacity. For this, the process of licencing must be very simple and encouraging. Government should also give the licences to install VPS technology in OPS units, those are seeking for the same. Cane price policy must be very practical and cane price should be fixed without any political interference. Government should make a provision in the sugar policy to provide soft loans to the sick units on the priority basis. The levy and free sugar ratio, 40:60 is still continuing since 1990-91. This dual sugar price policy should be stop and industry should be free to sale their entire sugar in the free market. But the release of monthly sugar from the mills must be under the control of Government. Government should discourage the import of sugar by imposing high rate of custom duty on the imported sugar and should be encourage every possibility to crush more cane by relaxing in licencing for installation of new mills and expansion in the old sugar mills.

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